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WATER/SNR/PTL/LEP: jlj

AGENDA ITEM #4797

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4551

August 25, 2005

R E S O L U T I O N

**(RES. W-4551), ALPINE VILLAGE WATER COMPANY (ALPINE)
ORDER AUTHORIZING A GENERAL RATE INCREASE
PRODUCING AN ADDITIONAL ANNUAL REVENUE OF \$2,822
OR 30% IN 2005 AND AN ADDITIONAL \$2,823 OR 30% IN 2006,
AND AN ADDITIONAL \$3,002 OR 32% IN 2007.**

SUMMARY

By Draft Advice Letter, filed on November 16, 2004, Alpine seeks an increase in rates for water service to recover increased expenses of operation and earn an adequate return on its plant investment. For Test Year 2005, this resolution grants an increase in gross annual revenues of \$2,822 or 30% and an additional annual revenue of \$2,823 or 30% in 2006 and another \$3,002 or 32% in 2007 which is estimated to provide a return on rate base of 13.15%.

BACKGROUND

Alpine, a Class D water utility, has requested authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase its water rates by \$13,683 or 145% for test year 2005. The purpose of the rate increase is to recover increased operating expenses and to provide an adequate rate of return. Alpine's request shows 2005 gross revenues of \$9,408 at present rates, increasing to \$23,091 at proposed rates. MCWC is requesting a return-on-rate base of 13.75%. In the public meeting which was held on February 24, 2005 the customers requested and the owners of Alpine agreed to phase in the new rates over a three-year period.

The last general rate increase (GRC) for Alpine was granted on June 3, 1993, pursuant to Res. No. W-3778, which authorized an increase of \$15,415 or 365% for test year 1993.

Alpine is a Class D water utility owned and operated as a partnership by Charles W. Roberts and John P. Roberts. Alpine's service area consists of 22 acres within the boundaries of Sequoia National Forest in Tulare County Tract 417, an unincorporated area of the county, approximately 16 miles east of Springville, California. Elevations range from 6,355 to 6,710 feet above sea level. The water supply is derived from

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perennial springs located about 500 feet north of Tract 417. These springs have a continuous flow of approximately 10-20-mpg. The water from the springs flows into a 44,000-gallon storage tank from where it flows by gravity into the distribution system. In the summer of 1992, due to drought conditions, the springs dried up and the utility was forced to seek an alternate source of water, a well was dug, and a pump installed. In 2004, Alpine built a new 65,000-gallon storage tank. Alpine currently has 49 customers and most of them are seasonal customers. Alpine has installed some meters but they are not read.

DISCUSSION

The Water Branch (Branch) made an independent analysis of Alpine's operations and issued its report on July 1, 2005. Appendix A shows MCWC's and the Branch's estimated summary of earnings at present, proposed, and recommended rates for test year 2005, and phase-in years 2006 and 2007. Alpine is in agreement with the 2005, 2006, and 2007 summary of earnings at the Branch recommended rates shown in Appendix A.

The Branch staff reviewed operating revenues and expenses, including materials, transportation expenses, plant maintenance, purchased power, insurance expenses, regulatory and general expenses, depreciation, and property taxes. Staff verified the operating expenses by reviewing supporting documents for substantiation and accuracy, and included the amounts that were deemed reasonable and prudent.

The major differences in Alpine's rate base were in plant and accumulated depreciation. Branch arrived at average plant in service by adding all the additions to the system since the last general rate case including the additional water tank installed in 2004 and the restoration to the old tank in 2005. Branch arrived at its accumulated depreciation estimate by using the Commission-adopted 3% depreciation rate and applied that percentage to each year since the last general rate case.

Alpine has requested a rate of return of 13.75%. Alpine is a Class D utility with 49 connections. The Branch recommends a rate of return of 13.15% which is within the range recommended by the Audit and Compliance Branch for a Class D utility. Two methods are available for Branch to utilize in the rate-making process: (1) Rate of Return and (2) Rate of Margin. In Res. W-4524 (March 17, 2005), the Commission adopted a revised set of standard practices for determining the profit for Class C and D water utilities using the rate of return and rate of margin methods. Both methods are to be used. Per Decision 92-03-093, dated March 31, 1992, the Branch must recommend the method that produces the higher revenues. In the rate of margin method, the utility's revenue requirements is defined as the sum of its operating and

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maintenance expenses, depreciation, income and other taxes, multiplied by the rate of margin. A rate of margin of 25% was used. A comparison of the two methods indicates that the rate of return method produces a higher revenue requirement; therefore, the Branch recommends the rate of return method.

Alpine's rate structure consists of three schedules: Nos. 1A, Metered Service, 2AR, Residential Flat Rate Service, and 5, Public Fire Hydrant. The new rate schedules appear in Appendix B. At the recommended rate of return, the increase in revenue will be \$2,822 or 30% for test year 2005, and an additional \$2,823 or 30% effective September 1, 2006, and a \$3,002 or 32% increase effective on September 1, 2007.

At the Branch's recommended rates shown in Appendix B, the bill for a typical residential flat rate customer will increase from \$192.00 to \$249.60 per year, or 30% in test year 2005, increase to \$307.20 or 30% in test year 2006, and increase to \$368.64 or 32% in test year 2007. A comparison of customer bills at present and recommended rates is shown in Appendix C.

NOTICE AND PUBLIC MEETING

A notice of the proposed rate increase was mailed to all water customers of Alpine on February 4, 2005. Neither the Branch nor Alpine received any letters protesting the rate increase. The Consumer Affairs Branch and Water Division have not received any complaints. A public meeting was held on Thursday, February 24, 2005, at 6 p. m. at the cabin of Mr. Bill Roberts, 52784 Redwood Drive, Alpine Village, California. The meeting began at 6:10 p.m. with about 8 customers present. Alpine is a class D utility with 49 connections.

Mr. Peter Liu, Branch Project Manager, explained Commission procedure and purpose of the meeting. Mr. Bill Roberts gave a presentation on the need for a rate increase. Mr. Roberts spoke about his customers, how they were all friends and neighbors and how uneasy he felt about asking for rate increases and the reason why he only asked for a rate increase in the early 80's and another one in the early 90's. He stated that he had recently installed a new water tank and would like to recover that expense and to have some management salary.

After the staff and the company's presentation, the meeting was opened for questions. There were few questions mostly statement about the magnitude of the rate increase. The customers were very satisfied with the service they were receiving but were concerned with the 145% rate increase and felt that Mr. Roberts should make an effort to minimize the rate increase. They suggested the increase be phased in over a three-year period as opposed to a one-time increase. Mr. Liu stated that it had been over 10

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years since the company requested a rate increase and it could be the reason the company was requesting such a big increase. Mr. Roberts said that he was open to the idea of increasing the rates in stages and Mr. Liu indicated that the Commission would see if they could abide by their wishes. The customers were happy to hear that Mr. Roberts was willing to work with them in slowing the increase and had a lot of praise for Mr. Roberts. They indicated that the water quality and the service was great, and in the rare occasions where the system had a problem, it was quickly repaired.

COMPLIANCE

The utility has been filing annual reports as required. However, Alpine needs to update their Preliminary Statement, Schedule LC (Late Payment Charge), Rules 3, Application for Service, 5, Special Information Required on Forms, 7, Deposits, 8, Notices, 9, Rendering and Payment of Bills, 10, Disputed Bills, 11, Discontinuance and Restoration of Service, 20, Water Conservation, and 21, Fire Protection, and Forms 2, Customer's Deposit Receipt, and 3, Bill for Service.

The Branch recommends that the Commission authorize a rate increase of \$2,822 or 30% for test year 2005, an additional \$2,823 or 30% effective September 1, 2006 and a \$3,002 or 32% increase effective September 1, 2007. This will increase estimated annual revenues from \$9,408 to \$12,230 in test year 2005 and to \$15,053 in test year 2006, and to \$18,055 in test year 2007 as shown in Appendix A. This increase will produce a rate of return of 13.15%.

FINDINGS

1. The Branch's recommended Summary of Earnings shown in Appendix A is reasonable and should be adopted.
2. The rates recommended by the Branch (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.
4. Alpine should be required to update its Preliminary Statement, Schedule LC (Late Payment Charge), Rules 3, Application for Service, 5, Special Information Required on Forms, 7, Deposits, 8, Notices, 9, Rendering and Payment of Bills, 10, Disputed Bills, 11, Discontinuance and Restoration of Service, 20, Water Conservation, and 21, Fire Protection, and Forms 2, Customer's Deposit Receipt, and 3, Bill for Service.

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5. This is an uncontested matter subject to the public notice comment exclusion provided in the PU Code Section 311(g)(3).

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 to Alpine Village Water Company, to file an advice letter incorporating the summary of earnings and the revised rate schedules attached to this resolution as Appendices A and B, respectively, and concurrently cancel its presently effective rate Schedule Nos. 1A, Metered Service, and 2AR, Residential Flat Rate Service. The effective date of the revised schedule shall be five days after the date of filing.
2. Alpine Village Water Company is authorized to increase its annual revenues by \$2,822 or 30% for test year 2005 and an additional \$2,823 or 30% effective September 1, 2006 and a \$3,002 or 32% effective September 1, 2007.
3. Alpine Village Water Company shall update the following rules in its tariff book: Preliminary Statement, Schedule LC (Late Payment Charge), Rules 3, Application for Service, 5, Special Information Required on Forms, 7, Deposits, 8, Notices, 9, Rendering and Payment of Bills, 10, Disputed Bills, 11, Discontinuance and Restoration of Service, 20, Water Conservation, and 21, Fire Protection, and Forms 2, Customer's Deposit Receipt, and 3, Bill for Service.
4. Alpine Village Water Company is authorized to file an advice letter to adopt the rates attached in this resolution as Appendix B for the years 2006 and 2007. The revised schedules shall become effective upon Commission approval of the advice letters but not earlier than September 1, 2006 and September 1, 2007.
5. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on August 25, 2005; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

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APPENDIX A**ALPINE VILLAGE WATER COMPANY****SUMMARY OF EARNINGS**

Test Year 2005

	Utility Estimated		Division Estimated		Division Adopted Rates
	Present Rates	Proposed Rates	Present Rates	Proposed Rates	
<u>Operating Revenues</u>					
Water Sales	\$9,408	\$23,091	\$9,408	\$23,091	\$12,230
<u>Operating Expenses:</u>					
Power	239	650	535	535	535
Materials	1,921	2,200	2,200	2,200	2,200
Transportation expenses	758	750	500	500	500
Other plant maintenance	1,104	1,200	1,200	1,200	1,200
Office supplies and expenses	120	120	120	120	120
Professional Services	300	600	600	600	600
Insurance Services	0	2,178	2,178	2,178	2,178
Regulatory comm. exp.	350	450	350	350	350
General expenses	363	1,500	400	400	400
Subtotal	5,155	9,648	8,083	8,083	8,083
Depreciation expense	2,570	2,570	2,311	2,311	2,311
Property taxes	560	560	560	560	560
Federal and State taxes	0	0	0	0	0
Total Expenses	8,285	12,778	10,954	10,954	10,954
Net Revenue	1,123	10,313	(1,546)	12,136	1,276
<u>Rate Base</u>					
Average Plant	86,266	86,266	79,047	79,047	79,047
Aver. Acc. Depr.	11,260	11,260	25,046	25,046	25,046
Net Plant	75,005	75,005	54,001	54,001	54,001
Less: Contributions	0	0	0	0	0
Advances	0	0	0	0	0
Rate Base	75,005	75,005	54,001	54,001	54,001
Rate of Return	1.5% _s	2.39%	-2.9%	22.5%	2.4%

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APPENDIX A**ALPINE VILLAGE WATER COMPANY****SUMMARY OF EARNINGS**

Test Year 2006

Utility Estimated		Division Estimated		Division Adopted Rates
Present Rates	Proposed Rates	Present Rates	Proposed Rates	

Operating Revenues

Water Sales	\$9,408	\$23,091	\$9,408	\$23,091	\$15,053
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Operating Expenses:

Power	239	650	535	535	535
Materials	1,921	2,200	2,200	2,200	2,200
Transportation expenses	758	750	500	500	500
Other plant maintenance	1,104	1,200	1,200	1,200	1,200
Office supplies and expenses	120	120	120	120	120
Professional Services	300	600	600	600	600
Insurance Services	0	2,178	2,178	2,178	2,178
Regulatory comm. exp.	350	450	350	350	350
General expenses	363	1,500	400	400	400
Subtotal	5,155	9,648	8,083	8,083	8,083
Depreciation expense	2,570	2,570	2,311	2,311	2,311
Property taxes	560	560	560	560	560
Federal and State taxes	0	0	0	0	0
Total Expenses	8,285	12,778	10,954	10,954	10,954
Net Revenue	1,123	10,313	(1,546)	12,136	4,099
<u>Rate Base</u>					
Average Plant	86,266	86,266	79,047	79,047	79,047
Aver. Acc. Depr.	11,260	11,260	25,046	25,046	25,046
Net Plant	75,005	75,005	54,001	54,001	54,001
Less: Contributions	0	0	0	0	0
Advances	0	0	0	0	0
Rate Base	75,005	75,005	54,001	54,001	54,001
Rate of Return	1.5% ^s	2.39%	-2.9%	22.5%	7.6%

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APPENDIX A**ALPINE VILLAGE WATER COMPANY****SUMMARY OF EARNINGS**

Test Year 2007

	Utility Estimated		Division Estimated		Division Adopted Rates
	Present Rates	Proposed Rates	Present Rates	Proposed Rates	
<u>Operating Revenues</u>					
Water Sales	\$9,408	\$23,091	\$9,408	\$23,091	\$18,055
<u>Operating Expenses:</u>					
Power	239	650	535	535	535
Materials	1,921	2,200	2,200	2,200	2,200
Transportation expenses	758	750	500	500	500
Other plant maintenance	1,104	1,200	1,200	1,200	1,200
Office supplies and expenses	120	120	120	120	120
Professional Services	300	600	600	600	600
Insurance Services	0	2,178	2,178	2,178	2,178
Regulatory comm. exp.	350	450	350	350	350
General expenses	363	1,500	400	400	400
Subtotal	5,155	9,648	8,083	8,083	8,083
Depreciation expense	2,570	2,570	2,311	2,311	2,311
Property taxes	560	560	560	560	560
Federal and State taxes	0	0	0	0	0
Total Expenses	8,285	12,778	10,954	10,954	10,954
Net Revenue	1,123	10,313	(1,546)	12,136	7,101
<u>Rate Base</u>					
Average Plant	86,266	86,266	79,047	79,047	79,047
Aver. Acc. Depr.	11,260	11,260	25,046	25,046	25,046
Net Plant	75,005	75,005	54,001	54,001	54,001
Less: Contributions	0	0	0	0	0
Advances	0	0	0	0	0
Rate Base	75,005	75,005	54,001	54,001	54,001
Rate of Return	1.5% _s	2.39%	-2.9%	22.5%	13.15%

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APPENDIX B

ALPINE VILLAGE WATER COMPANY

Schedule No. 1A

METERED SERVICE

Test Year 2005

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Alpine Village, Tract 417 and vicinity, located approximately five (5) miles north of Camp Nelson, Tulare County.

RATES

Quantity Rate:

All water, per 1,000 gallons\$ 5.72 (I)

Per Meter
Per Month

Service Charge:

For	5/8x3/4-inch meter.....	\$ 20.80	(I)
For	3/4-inch meter.....	31.20	
For	1-inch meter.....	52.00	
For	1-1/2-inch meter.....	104.00	
For	2-inch meter.....	166.40	(I)

The Service Charge is a readiness-to-serve charge, which is applicable to all metered water service and to which is added to the charge for water used at the Quantity Rate.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

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APPENDIX B
ALPINE VILLAGE WATER COMPANY
Schedule No. 1A
METERED SERVICE
Test Year 2006

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Alpine Village, Tract 417 and vicinity, located approximately five (5) miles north of Camp Nelson, Tulare County.

RATES

Quantity Rate:

All water, per 1,000 gallons\$ 7.04 (I)

Per Meter
Per Month

Service Charge:

For	5/8x3/4-inch meter.....	\$25.60	(I)
For	3/4-inch meter.....	38.40	
For	1-inch meter.....	64.00	
For	1-1/2-inch meter.....	128.00	
For	2-inch meter.....	204.80	(I)

The Service Charge is a readiness-to-serve charge, which is applicable to all metered water service and to which is added to the charge for water used at the Quantity Rate.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

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APPENDIX B
ALPINE VILLAGE WATER COMPANY

Schedule No. 1A

METERED SERVICE

Test Year 2007

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Alpine Village, Tract 417 and vicinity, located approximately five (5) miles north of Camp Nelson, Tulare County.

RATES

Quantity Rate:

All water, per 1,000 gallons\$ 8.32 (I)

Per Meter

Per Month

Service Charge:

For	5/8x3/4-inch meter.....	\$ 30.24	(I)
For	3/4-inch meter.....	45.36	
For	1-inch meter.....	75.60	
For	1-1/2-inch meter.....	151.20	
For	2-inch meter.....	241.92	(I)

The Service Charge is a readiness-to-serve charge, which is applicable to all metered water service and to which is added to the charge for water used at the Quantity Rate.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

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APPENDIX B
ALPINE VILLAGE WATER COMPANY
Schedule No. 2AR
RESIDENTIAL FLAT RATE SERVICE
Test Year 2005

APPLICABILITY

Applicable to all residential water residential service furnished on a flat rate basis.

TERRITORY

Alpine Village, Tract 417 and vicinity, located approximately five (5) miles north of Camp Nelson, Tulare County.

RATES

	Per Service Connection <u>Per Year</u>	
1. For a single – family residential unit, including premises	\$249.60	(I)
(a.) For each additional single-family unit on the same premise and served from the same service connection.	\$117.00	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than 1-inch diameter.
2. All service not covered by the above classification shall be furnished only on a metered basis.
3. For service covered by the above classifications, if the utility or the customer so elect, a meter shall be installed and service provided under Schedule No. 1A, Metered Service.
4. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

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APPENDIX B
ALPINE VILLAGE WATER COMPANY
Schedule No. 2AR
RESIDENTIAL FLAT RATE SERVICE
Test Year 2006

APPLICABILITY

Applicable to all residential water residential service furnished on a flat rate basis.

TERRITORY

Alpine Village, Tract 417 and vicinity, located approximately five (5) miles north of Camp Nelson, Tulare County.

RATES

	Per Service Connection <u>Per Year</u>
For a single – family residential unit, Including premises	\$307.20 (I)
(a) For each additional single-family unit on the same premise and served from the same service connection.	\$144.00 (I)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than 1-inch diameter.
2. All service not covered by the above classification shall be furnished only on a metered basis.
3. For service covered by the above classifications, if the utility or the customer so elect, a meter shall be installed and service provided under Schedule No. 1A, Metered Service.
4. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

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APPENDIX B

ALPINE VILLAGE WATER COMPANY

Schedule No. 2AR

RESIDENTIAL FLAT RATE SERVICE

Test Year 2007

APPLICABILITY

Applicable to all residential water residential service furnished on a flat rate basis.

TERRITORY

Alpine Village, Tract 417 and vicinity, located approximately five (5) miles north of Camp Nelson, Tulare County.

RATES

	Per Service Connection <u>Per Year</u>
1. For a single – family residential unit, including premises	\$368.64 (I)
(a) For each additional single-family unit on the same premise and served from the same service connection.	\$172.80 (I)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than i-inch diameter.
2. All service not covered by the above classification shall be furnished only on a metered basis.
3. For service covered by the above classifications, if the utility or the customer so elect, a meter shall be installed and service provided under Schedule No. 1A, Metered Service.
4. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

(END OF APPENDIX B)

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APPENDIX C
ALPINE VILLAGE WATER COMPANY
Schedule No. 2AR

RESIDENTIAL FLAT RATE SERVICE

Test Year 2005
COMPARISON OF RATES

A comparison of Alpine' present rates and the Division's recommended rates is shown below:

RESIDENTIAL FLAT RATE SERVICE	<u>Per Service Connection Per Year</u>		
	Present Rates	Proposed Rates	Percent Increase
For a single family residential unit, including premises	\$192.00	\$249.60	30%
For each additional single family unit on the same premise and served from the same service connection	\$ 90.00	\$117.00	30%

Test Year 2006

For a single family residential unit, including premises	\$192.00	\$307.20	60%
For each additional single family unit on the same premise and served from the same service connection	\$ 90.00	\$144.00	60%

Test Year 2007

For a single family residential unit, including premises	\$192.00	\$368.64	92%
For each additional single family unit on the same premise and served from the same service connection	\$ 90.00	\$172.80	92%

(END OF APPENDIX C)

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**APPENDIX D
ALPINE VILLAGE WATER COMPANY**

ADOPTED QUANTITIES

Test Years 2005, 2006 & 2007

1. Purchased Power

Southern California Edison

Effective Date April 11, 2005

Schedule GS-1

Energy Charge \$/kWh/Meter/Day

Summer \$0.04655

Winter \$0.04655

Customer Charge-\$/Meter/Day \$0.79

Total Cost \$535

Total kWh 2,544

Average Unit Cost \$/kWh \$0.21

Service Connections

Flat Rate Residential 49

ADOPTED INCOME TAX CALCULATIONS

Test Year 2005

Line	State	Federal
<u>No.</u>	<u>Item</u>	<u>Tax</u>
1.	Operating Revenues	\$12,230
2.	Expenses	\$10,954
3.	State Taxable Income	\$ N/A
4.	State Tax (@8.84%)	\$ 0
	=====	=====
5.	Federal Taxable Income	N/A
6.	Federal Income Tax (@15%)	\$ 0
7.	TOTAL STATE AND FEDERAL INCOME TAX	\$ 0

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APPENDIX D
ALPINE VILLAGE WATER COMPANY
ADOPTED INCOME TAX CALCULATIONS

Test Year 2006

Line		State	Federal
<u>No.</u>	<u>Item</u>	<u>Tax</u>	<u>Tax</u>
1.	Operating Revenues	\$15,053	\$15,053
2.	Expenses	\$10,954	\$10,954
3.	State Taxable Income	N/A	N/A
4.	State Tax (@8.84%)	\$ 0	\$ 0
		=====	=====
5.	Federal Taxable Income		N/A
6.	Federal Income Tax (@15%)		\$ 0
7.	TOTAL STATE AND FEDERAL INCOME TAX		\$ 0

Test Year 2007

Line		State	Federal
<u>No.</u>	<u>Item</u>	<u>Tax</u>	<u>Tax</u>
1.	Operating Revenues	\$18,055	\$18,055
2.	Expenses	\$10,954	\$10,954
3.	State Taxable Income	N/A	N/A
4.	State Tax (@8.84%)	\$ 0	\$ 0
		=====	=====
5.	Federal Taxable Income		\$ N/A
6.	Federal Income Tax (@15%)		\$ 0
7.	TOTAL STATE AND FEDERAL INCOME TAX		\$ 0

(END OF APPENDIX D)

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